

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Davison Senior Citizens Authority	County Genesee
Audit Date June 30, 2004	Opinion Date August 17, 2004	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

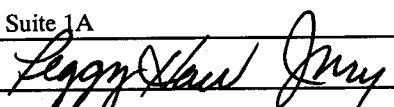
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91 ], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  Peggy Haw Jury, CPA			

**Annual Financial Report**

**Davison Richfield Senior Citizens Authority  
Davison, Michigan**

**June 30, 2004**

***with Independent Auditors' Report***

**Davison Richfield Senior Citizens Authority**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2004**

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## **Introductory Section**

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**List of Appointed Officials**

Kay Adair	Chairperson
Jerry Richards	Vice Chairperson
Joyce Schneider	Secretary
Karen Miller	Treasurer
Gary Hale	
Margaret LittleJohn	
Norma Vohwinkle	

## **Financial Section**

*Independent Auditors' Report*

Davison Richfield Senior Citizens Board  
Davison Richfield Senior Citizens Authority  
Davison, Michigan

We have audited the financial statements of the governmental activities of the Davison Richfield Senior Citizens Authority, Davison, Michigan (Authority) as of June 30, 2004, and for the year then ended, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note IB, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities of the Davison Richfield Senior Citizens Authority, Davison, Michigan at June 30, 2004, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on page 4 and the information in the required supplementary information section on page 14 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "BKR Depina & Ryden".

Certified Public Accountants  
Flint, Michigan

August 17, 2004



## **Management's Discussion and Analysis**

## **Davison Senior Citizen's Authority Management's Discussion and Analysis**

As management of Davison Senior Citizen's Authority (Authority), we offer readers of Davison Senior Citizen's Authority's financial statements this narrative overview and analysis of the financial activities of the Davison Senior Citizen's Authority.

The basic financial statements for the Davison Senior Citizen's Authority are comprised of the governmental fund balance sheet/statement of net assets, combined statement of revenues, expenditures, and changes in fund balances-statement of activities and notes to the financial statements.

The statement of net assets presents the information of the governmental fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund financial statements.

### **Financial Highlights**

The government-wide financial analysis focuses on the Statement of Net Assets and the Statement of Activities. The total assets of the Authority are \$1,399,756 of which \$1,364,868 represents fixed assets net of accumulated depreciation. The liabilities are \$23,384, which represents amounts due to Davison Township of \$19,261 and \$4,123 of amounts due to vendors and employees, leaving current net assets of \$1,376,372. The restricted net assets are restricted for memorial (\$2,342), Euchre Club (\$584), and Travel Fund (\$8,578).

Net assets invested in capital assets amount to \$1,364,868. Prior to year end, the Authority entered into negotiations with a third party for the sale of the original senior center. This property was constructed with a federal grant and therefore, proceeds from the sale are considered program income and will be returned to the granting agency. The net carrying value of the property to be sold is \$154,553.

Net assets decreased \$2,591 for the Authority as a result of \$169,164 in Senior Center expenses which were offset by local contributions and charges for services of \$159,874 and general revenues of \$6,699.

The Authority adopted and amended their budget. Actual expenditures (\$149,138) exceeded actual revenues (\$141,049) by \$8,089. No operating fund balance exists for the Authority as the units of government annually cover the cost of operations.

## **Basic Financial Statements**

**Davison Richfield Senior Citizens Authority**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**General Fund**  
**June 30, 2004**

	<u>General Fund</u>	<u>Adjustments (Note II A)</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 16,325	\$ -	\$ 16,325
Accounts receivable	903	-	903
Due from other governments	15,361	-	15,361
Prepaid insurance	2,299	-	2,299
Capital assets, net	-	1,364,868	1,364,868
	<hr/>		<hr/>
Total assets	\$ 34,888	1,364,868	1,399,756
	<hr/>		<hr/>
<b>Liabilities</b>			
Accounts payable	\$ 1,129	-	1,129
Accrued wages	2,994	-	2,994
Due to other governments	19,261	-	19,261
	<hr/>		<hr/>
Total liabilities	23,384	-	23,384
	<hr/>		<hr/>
<b>Fund Balance/Net Assets</b>			
Fund balance - designated for memorials	2,342	(2,342)	-
Fund balance - reserved for trips	8,578	(8,578)	-
Fund balance - reserved for Euchre Club	584	(584)	-
	<hr/>		<hr/>
Total fund balances	11,504	(11,504)	-
	<hr/>		<hr/>
Total liabilities and fund balances	\$ 34,888		
	<hr/>		
Net assets:			
Invested in capital assets		1,364,868	1,364,868
Restricted for memorials		2,342	2,342
Restricted for trips		8,578	8,578
Restricted for euchre club		584	584
		<hr/>	<hr/>
Total net assets		\$ 1,376,372	\$ 1,376,372
		<hr/>	<hr/>

*See notes to financial statements.*

**Davison Richfield Senior Citizens Authority**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**General Fund**  
**Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Adjustment (Note II B)</u>	<u>Statement of Activities</u>
<b>Expenditures/expenses:</b>			
Senior center	\$ 141,049	\$ 28,115	\$ 169,164
<b>Program revenues:</b>			
Intergovernmental -			
local contributions	87,248	17,435	104,683
Charges for services	55,191	-	55,191
Total program revenues	142,439	17,435	159,874
Net program revenue (expenditures)			(9,290)
<b>General revenues:</b>			
Miscellaneous income	6,699	-	6,699
Excess (deficiency) of revenues over expenditures	8,089	(10,680)	(2,591)
<b>Fund balance/net assets:</b>			
Beginning of the year	3,415	1,375,548	1,378,963
End of the year	\$ 11,504	\$ 1,364,868	\$ 1,376,372

See notes to financial statements.

## **Notes to Basic Financial Statements**

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**I. Summary of significant accounting policies**

The accounting policies of the Davison Richfield Senior Citizens Authority (Authority) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Davison Richfield Senior Citizens Authority.

**A. Reporting entity**

The Davison Richfield Senior Citizens Authority (Authority) was formed in September 1979, by an agreement between the City of Davison and Davison Township. Richfield Township entered the joint venture effective July 1, 1996. The purpose of the Authority is to operate a Senior Citizens Center to provide facilities for recreation and activities for senior citizens in the City of Davison, the Township of Davison, and the Township of Richfield.

The Authority is governed by a seven-member Board appointed by the governing bodies of the participating members. The agreement provides that the allocation will be 1/3 of the net expenses split equally between the three municipalities, with the exception of expenses on the old Center, which are charged to City of Davison and Davison Township. In addition, the Board of the Authority is required to submit an annual operating budget to the governing body of each municipality for approval. Any of the members may withdraw from the Authority by giving written notice one year prior to withdrawal. The withdrawing municipality shall convey its interest to the other participating municipality and shall be reimbursed for its share according to a mutual payment plan which will be consistent with allowable budget expenditures.

The City of Davison made a contribution of \$30,172, Davison Township contributed \$30,172, and Richfield Township made a contribution of \$26,904 for a total of \$87,248 for the year ended June 30, 2004.

**B. Government-wide and fund financial statements**

During the year ended June 30, 2004, the Authority implemented a new financial reporting model, as required by the provision of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or units of government who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**I. Summary of significant accounting policies – (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Authority does not have any proprietary or fiduciary funds.

Governmental fund financial statements (i.e. the balance sheet and governmental statement of revenues, expenditures, and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on its balance sheet. Its reported fund balance (net current assets) is considered a measure of "available spendable resources." Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Municipal billings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental fund:

General Fund – It is used to account for all financial resources except those required to be accounted for in another fund.

**D. Assets, liabilities, and net assets or equity**

**1. Deposits**

The Authority's cash and cash equivalents include cash on hand and demand deposits.

**2. Capital assets**

Capital assets, which include land, buildings, and equipment, are reported only in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**I. Summary of significant accounting policies – (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**2. Capital assets – (continued)**

All real property or infrastructure purchased by the Authority must be titled in the name of the Authority. Therefore, any real property or infrastructure purchased by the Authority has been included in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Furniture and fixtures are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	39
Building	39
Furniture and fixtures	7

**3. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**4. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**II. Reconciliation of government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet. The details of this difference at June 30, 2004 are as follows:

Capital assets, net of accumulated depreciation	<u>\$1,364,868</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u>\$1,364,868</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures at the time of purchase. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The statement of activities also recognizes donated capital assets as revenue. The fund statement does not. The details of this difference for the year ended June 30, 2004 are as follows:

Donated assets	\$ 17,435
Capital outlay	12,055
Depreciation expense	<u>(40,170)</u>
Net adjustment to decrease <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u>\$ (10,680)</u>

**III. Stewardship, compliance, and accountability**

**Budgetary information**

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, a proposed operating budget is submitted to the Authority Board for the year commencing July 1. The operating budget, which is prepared on a basis consistent with accounting principles generally accepted in the United States of America, includes total proposed expenditures, and the means of financing them, for the General Fund.

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**III. Stewardship, compliance, and accountability – (continued)**

**Budgetary information – (continued)**

2. After the Board reviews the proposed budget, it is then sent to the three municipalities for their approval. The budget is legally adopted on a fund basis after each municipality submits its approval to the Authority Board.
3. Any revisions that alter the total expenditures of the General Fund must first be approved by the Board and then by each municipality.
4. Budget appropriations lapse at year end.
5. Budgeted amounts are reported on the financial statements as originally adopted and as finally amended by the Authority Board.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

**Deposits:**

Deposits are carried at cost and consist of a checking and two savings accounts. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and Cash Equivalents".

At year end, the carrying amount of the Authority's deposits was \$16,325 and the bank balance was \$21,282. The bank balance is greater due to outstanding checks that have not cleared the bank. The entire balance at June 30, 2004 was covered by federal depository insurance.

The Authority has adopted an investment policy and Bank One is its authorized depository.

**B. Capital assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land *	\$ 145,287	\$ 7,950	\$ -	\$ 153,237
Construction in progress *	-	14,597	-	14,597
Total capital assets not being depreciated	<u>145,287</u>	<u>22,547</u>	<u>-</u>	<u>167,834</u>

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**IV. Detailed notes on all funds – (continued)**

**B. Capital assets – (continued)**

**Primary Government – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities: - (continued)</b>				
Capital assets being depreciated:				
Land improvements *	201,807	-	-	201,807
Building *	1,214,619	-	-	1,214,619
Furniture and fixtures	101,715	6,943	-	108,658
Total capital assets being depreciated	1,518,141	6,943	-	1,525,084
Less accumulated depreciation for:				
Land improvements	(15,524)	(5,175)	-	(20,699)
Building	(210,185)	(24,658)	-	(234,843)
Furniture and fixtures	(62,171)	(10,337)	-	(72,508)
Total accumulated depreciation	(287,880)	(40,170)	-	(328,050)
Total capital assets, being depreciated, net	1,230,261	(33,227)	-	1,197,034
Governmental activities capital assets, net	\$1,375,548	\$ (10,680)	\$ -0-	\$1,364,868

\* Certain land, land improvements, and building were funded through federal grant dollars which will require program income from a sale to be returned to the granting agency.

**C. Deferred compensation plan**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The Authority makes no contributions. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Currently, the law allows trusts to be created for the plan assets, thereby, insulating the assets from the unit of government's general creditors. Therefore, the plan assets are not shown on the Authority's financial statements, as the Authority does not have any fiduciary or administrative responsibility for the plan.

**V. Risk management**

The Authority is exposed to various risks at loss related to property loss, torts, errors and omissions, and employee injuries. The Authority has purchased commercial insurance for coverage of all claims except full-time employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Authority pays unemployment claims on a reimbursement basis.

**Davison Richfield Senior Citizens Authority**  
**Davison, Michigan**  
**Notes to Financial Statements**  
**June 30, 2004**

**VI. Pending sale of property**

Prior to year end, the Authority entered into negotiations with a third party for the sale of property. The sale is not finalized as of year end.

The property to be sold was constructed with the proceeds of a federal grant from the United States Department of Housing and Urban Development. Therefore, any proceeds from the sale of that property will be classified as program income and must be expended for the same purposes as the original grant.

The net carrying value of the property to be sold is \$154,553 at June 30, 2004.

## **Required Supplementary Information**

**Davison Richfield Senior Citizens Authority**  
**Schedules of Revenue, Expenditures, and Changes in**  
**Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2004**

	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental -				
local contributions	\$ 98,445	\$ 102,045	\$ 87,248	\$ (14,797)
Charges for services	9,825	9,825	55,191	45,366
Miscellaneous income	2,500	2,500	6,699	4,199
Total revenues	110,770	114,370	149,138	34,768
<b>Expenditures:</b>				
Current:				
Director - salary	38,264	38,264	38,853	(589)
Part time secretary	18,221	18,221	18,711	(490)
Payroll taxes	4,321	4,321	4,317	4
Office and operating supplies	7,750	7,750	7,088	662
Janitor service	7,400	7,400	6,050	1,350
Telephone	2,964	2,964	2,533	431
Insurance	2,300	3,200	3,262	(62)
Sewer and water	1,740	2,240	1,915	325
Gas	2,810	4,210	2,883	1,327
Electricity	8,220	9,020	9,425	(405)
Auditing fees	1,700	1,700	1,735	(35)
Repair and maintenance	10,300	10,300	8,710	1,590
Copier maintenance and rental	1,480	1,480	1,120	360
Miscellaneous	600	600	1,637	(1,037)
Membership and conference	550	550	300	250
Transportation	150	150	229	(79)
Trips and travel	-	-	27,996	(27,996)
Capital outlay	2,000	2,000	4,285	(2,285)
Total expenditures	110,770	114,370	141,049	(26,679)
Excess of revenues over expenditures	-	-	8,089	8,089
Fund balance at beginning of year	3,415	3,415	3,415	-
<b>Fund balance at end of year</b>	<b>\$ 3,415</b>	<b>\$ 3,415</b>	<b>11,504</b>	<b>\$ 8,089</b>

See notes to financial statements.

August 17, 2004

Davison Richfield Senior Citizens Authority Board  
Davison Richfield Senior Citizens Authority  
Davison, Michigan

We have audited the financial statements of Davison Richfield Senior Citizens Authority (the Authority) for the year ended June 30, 2004, and have issued our report thereon dated August 17, 2004. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 31, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

#### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the general purpose financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Authority that



could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We posted audit adjustments related to accrued expenses, prepaids, and expenditures that could, in our judgment, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit. We did however record the travel cash account on the Authority's records. All activity that flows through this account needs to be recorded on the Authority's records.

#### **Status of Prior Year Comments**

##### **Cash Account**

During the prior year, the Euchre bank account held in the Authority's name was not recorded on the accounting records. We suggested that all bank accounts held in the Authority's name be recorded and accounted for in the Authority's accounting records. The bank account was added to the Authority's accounting records however, no activity was booked during the year. The activity that ran through the Euchre account was not recorded until year end. We suggest that the activity be recorded on a monthly basis.

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### **Building Expenses**

Authority expenses related to the old building were accounted for through Davison Township's records. We recommended all building activity be accounted for through the Authority's accounting records as these expenses must still be considered in the Authority's budget. The old building expenses were not recorded on the Authority's records for the year ended June 30, 2004. This was corrected through an audit adjustment.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by Christine Kautz and all involved Davison Township office staff during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,

A handwritten signature in cursive script that reads "BKR Dupuis & Ryden".

Certified Public Accountants  
Flint Office